

January 29, 2001

**MEMORANDUM**

To: Division Directors  
Office Directors

From: James B. Edgerton, Deputy Secretary  
NC Department of Health and Human Services

Subject: Managing the 2000-01 Budget Shortfall

Tuesday afternoon, an e-mail with Governor Easley's memorandum of January 23, 2001 as an accompanying attachment informed all Divisions of restrictive budget measures that are being implemented in order for the State to operate within available resources in 2000-01. In that same e-mail, we requested questions on concept, processes, and general areas of concern from the Divisions. The purpose of this memorandum is to respond to questions and concerns received. We will respond to them in the same sequence as the topics in the Governor's memorandum.

**General Fund Reversions**

Prior to the Governor's memorandum and as was discussed at the Division Directors meeting of January 17, our Department was directed by OSBPM to identify available resources to fund the critical needs of DHHS and to revert \$21,000,000. Subsequent to the Governor's memorandum, OSBPM has confirmed that the funding and reversion requirements for this Department remain at this level.

Divisions have requested to be assigned a specific dollar amount in meeting Departmental needs and the reversion. The Division of Budget, Planning & Analysis is working to identify all critical needs and funding availability to meet these needs. A copy of this work was distributed at the Division Directors meeting of January 17 and that schedule was not in balance. When this schedule can be balanced, it will be possible to assign a dollar amount of funding needed for deficiencies and reversions to each division. Until that time, we must continue to maximize the availability of resources from all Divisions.

**Position Freeze**

**Positions Subject to the Freeze**

Positions that are entirely or partially supported with state appropriations and positions funded with Block Grant funds are frozen. Block Grant funded positions are frozen because these sources of money may be available to support program costs currently using state appropriations. By freezing these positions we may be able to generate additional funding availability for the current year or for 2001-02.

The positions described in the following bullets are exempt from the freeze. As these positions become vacant, the normal recruitment procedures should be followed.

- Positions on which an offer of employment was made before January 24, 2001 are exempt from the freeze provided the offer is accepted. If the offer is declined, the

position is frozen and the process for releasing the position from the freeze will need to be followed.

- Positions that have been designated by OSP and OSPBM as critical care positions are exempt from the freeze. A listing of these positions are on Attachment 1.
- Positions for investigating and surveying daycare and residential facilities to insure quality of care, safety, and to respond timely to complaint / abuse reports are exempt from the freeze. These classifications are presented on the bottom of Attachment 1. These are exempted due to the need to assure that basic health and safety matters for vulnerable clients are maintained by local service providers.
- Positions that are governed by G.S. 115-C are exempt from the freeze. These are the education positions in our schools such as teachers and principals.
- Positions that are 100% grant supported are exempt from the freeze. A grant is defined as a non-state funding source that will not allow us to earn or draw funds in the absence of qualifying costs being incurred. As noted above, the Block Grants are excluded from this exemption from the freeze.

#### Process for Release of Positions Subject to the Freeze

Effective immediately, requests for the release of positions subject to the freeze for posting and filling, including filling vacancies with temporary appointments, shall be reviewed by the Division Director and forwarded to the Division of Human Resources.

The form presented as Attachment 2 entitled Request to Post Vacant Non-Critical Care Positions shall be used to request a position be released from the freeze. The Division Director shall review each request and those receiving a positive recommendation shall be forwarded to Kathleen Heeter, Director of the Division of Human Resources. Human Resources will consult with the appropriate Assistant Secretary for the Division and a decision will be made whether to submit the request for the Secretary's final approval. If approved by the Secretary or the Secretary's designee, the approval will be returned to the Division Director with notification to Budget, Planning & Analysis and the Division / Institution Human Resources Office. Upon approval of releasing a position for filling, the posting and recruiting process may be initiated.

The "Request to Post Vacant Non-Critical Care Positions" form will be made available electronically. Division Directors are encouraged to sign a hard copy of this form and have it scanned into an electronic file and submitted to the Division of Human Resources. Those Divisions without scanning capability should fax a signed hard copy to the Division of Human Resources at 733-6087.

#### Use of Temporary Staffing

Use of temporary staff who are working against a permanent position and paid by our payroll unit may continue if the temporary appointment was made prior to January 24, 2001 and if the need for the services continues to exist. Obviously, having that position released from the freeze and filling it will terminate the temporary appointment against the position. Temporary appointments to critical care positions which are filling the responsibilities of the vacant position may be made without submitting a request.

Temporary positions whose services are obtained by a payment to an agency providing temporary staffing may be continued if they were retained prior to January 24, 2001, and the need continues to exist for which they were retained. Additional temporary staff are not to be used unless the need for such an arrangement has been approved by the Secretary. To obtain this approval, agencies should use the Request to Post Vacant Non-Critical Care Positions and enter all information requested except the fifteen digit position number which should contain the term Temporary Staffing Agency and the salary field should reflect the rate we pay the temporary agency. These forms should then be submitted to our Division of Human Resources in the same manner as other freeze release forms. Temporary contract staffing for critical care positions do not need approval of the Secretary's office, but they are subject to the budgetary requirements below.

If the request to obtain temporary staffing is approved or is not required, the temporary agency may only be contacted if there are sufficient unencumbered funds currently budgeted in the correct account.

Otherwise, a budget revision must be submitted to establish sufficient funding for the temporary agency. Upon approval of the revision, the temporary agency may be contacted.

### **Purchasing Services and Supplies**

Contracts and contract amendments which are totally or partially funded with state appropriations or are totally or partially supported with Block Grant funds are subject to the same limitations as purchases. Contracts that use these resources, except for direct services contracts, are subject to the same review and justification procedures described below. No contracting activities should be initiated in anticipation of contract approval or budget revision approval.

Divisions and institutions are urged to reduce inventories to minimum levels. While this may vary depending on the nature of the inventory item and the function of the agency, reducing inventories will minimize purchasing and save state resources in the current year. For necessary purchases for items exempt from the approval processes below, ordering so that items can be received very close to the time they are needed is preferable.

The following broad categories are NOT subject to purchasing restrictions:

- Utility / Energy Services Account Range 53-22XX
- Food and Dietary Supplies Account Range 53-34XX
- Drugs and Pharmaceutical Supplies Account Range 53-36XX
- Scientific and Educational Supplies Account Range 53-37XX

However, in excluding these accounts from the purchasing freeze, we are placing a freeze on the budgets for the above account ranges. If an agency wants to increase or decrease an account in one of the above ranges, the budget revision will need to be sent to the Division of Budget, Planning & Analysis for their review. If it is an internal action, Budget, Planning & Analysis will approve the action. If it is an external action, the revision will be forwarded to OSBPM upon BPA's approval. Realignment within a range on an internal budget revision, but not between the ranges listed above, are allowed.

Purchases under \$500 have historically been excluded from the issuance of a purchase order and will continue to be exempt. Agencies are expected to continue to use this exclusion in good faith and not increase the volume of local purchases under \$500 to circumvent the issuance of a purchase order.

Purchase requisitions for maintenance supply items will be reviewed and recommended for approval by the Division of Property and Construction. In order for a factually based recommendation to be made by Property and Construction, agencies with independent purchasing offices (State Lab, mental health institutions, and schools) should provide written justification explaining the need for the purchase on the RCM screen. Fax a screen print of each requisition line (RQ1) plus the justification (RCM) to Property and Construction at (919) 733-5711. If an agency does not use the electronic requisition system, please fax a copy of the paper requisition including a justification for the purchase to Property and Construction. No agency is permitted to issue a purchase order for maintenance supply items without approval of the requisition by the Secretary or the Secretary's designee. Property and Construction will notify the originating office of approval or disapproval of the requisition.

Purchase requisitions for all other non-exempt items originating within agencies with independent purchasing offices will be reviewed and recommended for approval by a work group consisting of the Purchasing and Contract Section, the Division of Budget, Planning & Analysis, and the Deputy Secretary. Agencies should use the RCM screen on the electronic requisitioning system to enter information explaining the need for the purchase in sufficient detail to facilitate the work group making an informed decision. Agencies should fax a screen print of each requisition line (RQ1) plus the justification (RCM) to David Womble, Chief of Purchasing and Contract at (919) 733-5957. If an agency does not use the electronic requisition system, please fax a copy of the paper requisition to the attention of David Womble including the justification for the purchase. Purchase orders are not permitted to be issued for items covered by this paragraph without approval of the Secretary. DHHS Purchasing and Contract will notify the originating office of approval or disapproval decisions.

For Divisions and Institutions who have issued by DHHS Purchasing and Contract, screen prints will be pulled by P&C for review and processing as described above. However, agencies entering the information on the requisition will need to provide the justification on the RCM screen.

### **Minimizing Travel**

Agencies are expected to make a good faith effort to minimize travel incurred in the upcoming months. If costs were incurred prior to January 24, 2001 for conference registration fees, air-fare, etc. for staff to attend and participate in conferences subsequent to this date, the Divisions are authorized to incur those additional travel costs.

Agencies have also inquired about staff having routine job responsibilities that call for travel to see clients, visit service providers or other locations in the state. To the extent that these staff are incurring travel cost directly related to the care and well-being of individuals served by the State, their travel should continue. Any travel, including travel for the above positions, not related to the care and well-being of clients should be minimized to the greatest degree possible. Increased use of phone information, faxing of records, and other forms of electronic communication should be fully utilized in order to curtail travel.

### **Capital Improvements**

The Division of Property and Construction has been and will continue to be in discussion with the Construction Section of the Office of State Budget, Planning & Management on curtailing the use of capital improvement and repair & renovation funds. Specific decisions are being made about capital projects and the use of repair and renovation funding. Our Property and Construction staff will be communicating directly with the capital project coordinators on specific issues and decisions.

Division and institution directors should share this memorandum with you management staff, especially your chief administrative officer. If you have questions about the personnel freeze, please contact our Division of Human Resources at 733-2940. If you have questions about releasing maintenance requisitions from the freeze and capital funding items, please contact Terry Hatcher at 715-9702. Questions about all other requisitions, please contact David Womble at 733-2105. All other questions should be addressed to your budget analyst in the Division of Budget, Planning & Analysis at 733-6396.

Cc: H. David Bruton, MD  
Peter Leousis  
Dennis McBride, MD  
Linda Povlich  
Kathleen Heeter  
Allyn Guffey  
Terry Hatcher  
David Womble